

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other			Local Government Name Dryden Community Schools	County Lapeer
Audit Date June 30, 2004	Opinion Date July 23, 2004	Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

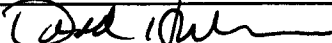
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1-968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 1 00% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) BKR Dupuis & Ryden			
Street Address 111 E. Court Street, Suite 1A	City Flint	State MI	ZIP 48502
Accountant Signature  Tadd A. Harburn, CPA			

Dryden Community School District

Dryden, Michigan

**Financial Report
with Supplemental Information**

June 30, 2004

**Dryden Community School District
June 30, 2004**

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Independent Auditors' Report

Board of Education
Dryden Community School District
Dryden, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dryden Community School District as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dryden Community School District as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The administration's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dryden Community School District basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required

by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated July 23, 2004 on our consideration of the District's internal control over financial reporting and on our test of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

BKR Dupuis & Ryden

Certified Public Accountants
Flint Office

July 23, 2004

Administration's Discussion and Analysis

Dryden Community Schools
Administration Discussion and Analysis
For the Fiscal Year Ended June 30, 2004

Dryden Community Schools in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments (GASB 34), with the enclosed financial statements. Our discussion and analysis, a requirement of GASB 34, is intended to provide an overview of Dryden Community Schools’ financial activities for the fiscal year ended June 30, 2004.

Certain comparative information between the current year and prior year is required to be included in the Management’s Discussion and Analysis (MD&A). However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. GASB 34 permits the omission of comparative information in the first year of adoption of the new reporting model and, due to the financial resources necessary to prepare the comparative information for the prior year, the School District has elected to exclude the information in this report. Comparative information will be provided in future annual financial statement reports.

GASB 34 and generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District’s funds, focusing on its most significant or “major” funds, not the School District as a whole. The fund level financial statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. The School District has two kinds of funds:

- **Governmental Funds:** All of the School District’s basic services are provided in governmental funds, which generally focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District’s programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of governmental funds statements explains the relationship (or differences) between them. The School District’s governmental funds include the General Fund, Capital Projects Fund, Debt Service Fund, and School Service Funds, which are comprised of Food Service, Athletics and Community Service (Cardinal Club).
- **Fiduciary Funds:** The School District is the trustee or fiduciary agent for assets that belong to others in the student activities agency fund. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long-term obligations are recorded as expenditures. Future years debt obligations are not recorded.

District-wide Financial Statements

The District-wide Statement of Net Assets and Statement of Activities are new and reported using the full accrual basis of accounting. With this method, all of the School District's assets, liabilities, current year revenues and expenditures are reported, regardless of when cash is received or paid. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-wide financial statements.

Financial Position and Results of Operations

The School District's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets, is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets, as reported in the Statement of Activities, is one indicator of whether its financial health is improving or deteriorating, respectively. The relationship between revenues and expenses indicates the School District's operating results. To assess the School District's overall health, it is important to consider additional non-financial factors such as the quality of educational services provided, the condition of school buildings and facilities, the safety of the schools, and other non-financial factors.

Summary of Net Assets

The School District's net assets totaled \$1,673,807 at June 30, 2004. Of this amount, \$318,495 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use those net assets for day-to-day operations. The following summarizes the School District's net assets at June 30, 2004:

Net Assets Summary

Assets	
Current assets	\$2,813,115
Non-current assets	<u>8,033,933</u>
Total assets	<u><u>\$10,847,048</u></u>
Liabilities	
Current liabilities	\$2,128,897
Long-term liabilities	<u>7,044,344</u>
Total liabilities	9,173,241
Net assets	
Invested in capital assets - net of related debt	842,689
Restricted - debt retirement	270,609
Restricted - 2002 capital projects	229,633
Restricted - school activities	12,381
Unrestricted	<u>318,495</u>
Total net assets	<u><u>1,673,807</u></u>
Total liabilities and net assets	<u><u>\$10,847,048</u></u>

Analysis of Financial Position:

During fiscal year ended June 30, 2004, the School District's net assets increased by \$281,732. A few of the significant factors affecting net assets during the year are discussed below:

A. Governmental Fund Operations

The School District's expenditures exceeded revenues by \$5,651,014 for the fiscal year ended June 30, 2004. See the section entitled Results of Operations, below, for further discussion of governmental fund operations.

B. Debt, Principal Payments

The District made principal payments on long-term debt obligations that reduced the amount of the District's long-term liabilities as follows:

	Principal Balance 6-30-03	(Decreases) Increases 6-30-04	Principal Payments 6-30-04	Principal Balance 6-30-04
Bonds payable	\$7,304,334	\$0	\$130,000	\$7,174,334
Notes payable	33,300	0	16,400	16,900
Retirement incentives	146,740	0	68,656	78,084
Compensated absences	72,740	(7,836)	0	64,904
Total long-term debt	\$7,557,114	(\$7,836)	\$215,056	\$7,334,222

Repayment of debt decreased the School District's long-term principal obligations and, thereby increased the net assets of the School District. The School District repaid \$215,056 of long-term debt during the year ended June 30, 2004.

C. Net Investment in Capital Assets

The district's net investment in capital assets increased by \$5,640,425 during the fiscal year. This can be summarized as follows:

	Balance June 30, 2003	Additions	Deductions	Balance June 30, 2004
Capital assets	\$4,795,643	\$6,000,285	\$0	\$10,795,928
Less: accumulated depreciation	(2,402,135)	(359,860)	0	(2,761,995)
Net investment capital assets	\$2,393,508	\$5,640,425	\$0	\$8,033,933

Results of Operations:

For the fiscal year ended June 30, 2003, the District wide results of operations were:

Revenues:

General revenues:

Property taxes levied for general operations	\$435,663
Property taxes levied for debt service	381,962
State of Michigan Unrestricted Foundation Aid	4,687,433
Interest and investment earnings	72,996
Other general revenues	<u>95,733</u>
Total general revenues	5,673,787

Operating grants:

Federal	140,510
State of Michigan	165,937
Other grants	<u>0</u>
Total operating grants	306,447

Charges for services:

Instruction services	32,180
Food service	145,148
Athletics	37,923
Community services	4,140
Other charges for services	<u>0</u>
Total charges for services	<u>219,391</u>
Total revenues	6,199,625

Expenses:

Instruction and instructional support	3,524,955
Support services	1,337,587
Food service	196,476
Athletics	139,313
Community services	19,119
Interest on long-term debt	340,583
Depreciation	<u>359,860</u>
Total expenses	<u>5,917,893</u>

Increase in net assets 281,732

Beginning net assets 1,392,075

Ending net assets \$1,673,807

Governmental Funds Financial Highlights

The General Fund, the 2002 Debt Retirement Fund and the 2002 Building and Site Capital Projects Funds are reported separately as major funds in the fund financial statements. Funds reported as "Other Governmental Funds" in the fund financial statements include the Food Service and Athletics Funds. The annual fund financial statements provide the following insights about the results of this year's operations:

- **General Fund**

The General Fund experienced an increase in fund equity of \$265,189 during the year ended June 30, 2004. This was due primarily to the board of education's directives to reduce positions in response to enrollment decline, economic conditions and the forecast of funding reductions by the state. Ending fund equity in the General Fund was \$473,245 at June 30, 2004, which equates to 9% of expenditures for the year. This level is up from \$208,056 at June 30, 2003.

- **2002 Debt Retirement Fund**

The 2002 Debt Retirement Fund experienced an increase in fund equity of \$24,628 during the year ended June 30, 2004. The fund equity at June 30, 2004 amounts to \$252,773. Of this amount, \$151,177 will be used for the November 1, 2004 interest payment on the debt. The remainder of the fund equity combined with 2004 tax collections will be used to make the May 1, 2005 principal and interest payment.

- **2002 Building and Site Capital Projects Fund**

The 2002 Building and Site Capital Projects Fund experienced a decrease in fund equity of \$5,950,612 during the year ended June 30, 2004. The fund equity at June 30, 2004 amounts to \$229,633. This decrease is attributable to the timing of the revenues and expenditures of the project. The majority of the construction project expenses occurring during the 2003-2004 budget year, while the revenue to fund the project was booked during the previous fiscal year.

- **Other Governmental Funds**

Other governmental funds experienced an overall increase in fund equity of \$9,781 during the year.

Major Governmental Funds Budgeting and Operating Highlights

The School District's budgets are prepared according to the Uniform Budget Act of the State of Michigan law which requires the Board of Education approve the initial budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The initial budget is based on facts and assumptions known at the time of the initial budget preparation. It is expected that there will be changes between the initial budget and subsequent budgets, as many factors are not known at the time of adoption of the initial budget. Some of these factors include enrollment figures and resultant staffing requirements, staffing changes that take place during the year, state school aid adjustments, grant allocations, and other unforeseen items. As a matter of practice, the School District amends its budget two times during the fiscal year to adjust for these changes.

2003-2004 General Fund Budget and Actual Expenditures

Total expenses original budget	\$ 5,349,347	
Total expenses final budget	5,327,269	
Decrease in budget expenditures	<u>\$ (22,078)</u>	-0.4%

The District's actual general fund expenditures were less than the final budget by 1.56%. This variance is due to the decrease in spending for supplies and materials, tax charge backs, special education consortium expenses, health insurance and wages.

2003-2004 General Fund Budget and Actual Revenues

Total revenues original budget	\$ 5,399,517	
Total revenues final budget	<u>5,503,250</u>	
Increase in budget revenues	<u>\$ 103,733</u>	1.9%

The District's 2003-2004 actual general fund revenues were more than the final budget by .11%. The variances between the actual revenues and the original and final amended budgets in the General Fund are due primarily to the following:

- Personal property taxes from Detroit Edison went uncollected by the Township of Dryden. Detroit Edison is disputing their personal property assessments for the 2002 and 2003 tax years with the township in court.
- The district budgeted for a decrease in per pupil funding of \$84. The actual cut for the year was \$74 per pupil.
- Proceeds from MASB-SetSeg insurance were received for the 2002 High School flood claim that were not budgeted for.

Unrestricted State Aid

The School District is predominantly funded by State Aid, which has increased on a per-pupil basis between years at a modest rate. Unrestricted state aid is determined by the following three variables:

1. State of Michigan State Aid Act per student foundation allowance
2. Student enrollment, blended at 80% of current year's fall count and 20% of prior year's winter count
3. The School District's non-homestead property tax levy

1. Per Student Foundation Allowance:

Annually, the State of Michigan establishes the per student foundation allowance. Dryden Community Schools' foundation allowance was \$6,700 per student for the 2003-2004 school year. This increased over the 2002-2003 foundation allowance of \$6,640. However, due to insufficient revenues to support school funding at the State level, an Executive Order was issued during the year, which reduced the School District's state aid funding by 1.1%. The pro-rated reduction resulted in reduced unrestricted state aid of \$58,432 for the year, or \$74 per student.

2. Student Enrollment

The District's student enrollment for the fall count of 2003-2004 was 785 students. The following summarizes fall student enrollments in the past seven years:

<u>Fiscal Year</u>	<u>Student FTE</u>
2003-2004	785
2002-2003	799
2001-2002	811
2000-2001	846
1999-2000	867
1998-1999	838
1997-1998	843

3. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 18.0 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase, or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property revenue collected for the 2003-2004 fiscal year was \$435,663.

4. Property Taxes Levied For Debt Retirement Fund

The District levies 2.24 mills of property taxes for capital projects on Homestead and Non-Homestead Properties.

For 2003-2004, the District's Debt Retirement Fund millage levy was 2.24 mills, which generated revenue of \$381,962.

Contacting the District's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact Amy Swantek, Accountant, Dryden Community Schools, 3866 Rochester Road, Dryden, Michigan 48428 or by telephone at (810) 796-9534.

Basic Financial Statements

Dryden Community School District
Statement of Net Assets
June 30, 2004

Assets	Governmental Activities
Current assets:	
Cash and cash equivalents	\$ 1,844,578
Deposits	9,657
Accounts receivable	34,884
Property taxes receivable, net	41,296
Due from other governments	877,918
Prepaid costs	4,782
Total current assets	<u>2,813,115</u>
Non-current assets:	
Capital assets	10,795,928
Accumulated depreciation	<u>(2,761,995)</u>
Total non-current assets	<u>8,033,933</u>
Total assets	<u><u>\$ 10,847,048</u></u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 43,488
Accrued salaries	297,699
Accrued interest payable	53,058
Other accrued liabilities	72,607
Due to other governments	27,794
Deferred revenue	1,992
Contracts and retainage payable	192,371
Notes and capital lease payable - current portion	1,166,900
Bonds payable - current portion	130,000
Compensated absences and severance pay- current	<u>142,988</u>
Total current liabilities	2,128,897
Non-current liabilities:	
Bonds payable - long-term	<u>7,044,344</u>
Total liabilities	<u>9,173,241</u>
Net Assets	
Invested in capital assets, net of related debt	842,689
Restricted for capital projects	229,633
Restricted for debt service	270,609
Restricted for school activities	12,381
Unrestricted	<u>318,495</u>
Total net assets	<u>1,673,807</u>
Total liabilities and net assets	<u><u>\$ 10,847,048</u></u>

**Dryden Community School District
Statement of Activities
For the Year Ended June 30, 2004**

Functions/Programs	Expenses	Program Revenues		Governmental Activities Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants	
Governmental activities:				
Instruction and instructional support	\$ 3,524,955	\$ 32,180	\$ 245,862	\$ (3,246,913)
Support services	1,337,587	-	-	(1,337,587)
Food services	196,476	145,148	60,585	9,257
Athletics	139,313	37,923	-	(101,390)
Community services	19,119	4,140	-	(14,979)
Interest on long-term debt	340,583	-	-	(340,583)
Depreciation (unallocated)	359,860	-	-	(359,860)
Total governmental activities	<u>\$ 5,917,893</u>	<u>\$ 219,391</u>	<u>\$ 306,447</u>	<u>(5,392,055)</u>
General revenues:				
Taxes				
Property taxes, levied for general operations				435,663
Property taxes, levied for debt service				381,962
State of Michigan aid, unrestricted				4,687,433
Interest and investment earnings				72,996
Other				95,733
Total general revenues				<u>5,673,787</u>
Change in net assets				281,732
Net assets:				
Beginning of year				<u>1,392,075</u>
End of year				<u>\$ 1,673,807</u>

See notes to financial statements.

**Dryden Community School District
Balance Sheet
Governmental Funds
June 30, 2004**

	General	2002 Debt Retirement	2002 Building & Site Capital Project
Assets			
Cash and cash equivalents	\$ 1,140,201	\$ 252,773	\$ 423,166
Deposits	9,657	-	-
Accounts receivable	34,884	-	-
Property taxes receivable	35,442	4,427	-
Due from other governments	876,139	-	-
Prepaid costs	4,782	-	-
Total assets	<u>\$ 2,101,105</u>	<u>\$ 257,200</u>	<u>\$ 423,166</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 43,326	\$ -	\$ 162
Contracts payable	-	-	116,795
Construction retainers payable	-	-	75,576
Salaries payable	297,699	-	-
Accrued retirement and social security	60,762	-	-
Other accrued liabilities	11,845	-	-
Deferred revenue	37,434	4,427	-
Due to other governments	26,794	-	1,000
Notes payable	1,150,000	-	-
Total liabilities	<u>1,627,860</u>	<u>4,427</u>	<u>193,533</u>
Fund balances:			
Fund balance - unreserved:			
Designated for school activities	-	-	-
Designated for debt retirement	-	252,773	-
Designated for capital outlay	-	-	229,633
Undesignated	473,245	-	-
Total fund balances	<u>473,245</u>	<u>252,773</u>	<u>229,633</u>
Total liabilities and fund balances	<u>\$ 2,101,105</u>	<u>\$ 257,200</u>	<u>\$ 423,166</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

Total Government Fund Balances

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

The cost of the capital assets is

Accumulated depreciation is

Long-term liabilities that are not due and payable in the current period and are not reported in the fund:

Bonds payable

Notes and capital lease payable

Compensated absences and severance plan payable

Accrued interest is not included as a liability in governmental funds

Deferred revenue is included as a liability in governmental funds

Net assets of governmental activities

Other Non-major Governmental Funds	Total Governmental Funds
\$ 28,438	\$ 1,844,578
-	9,657
-	34,884
1,427	41,296
1,779	877,918
-	4,782
<u>\$ 31,644</u>	<u>\$ 2,813,115</u>

\$ -	\$ 43,488
-	116,795
-	75,576
-	297,699
-	60,762
-	11,845
1,427	43,288
-	27,794
-	1,150,000
<u>1,427</u>	<u>1,827,247</u>

12,381	12,381
17,836	270,609
-	229,633
-	473,245
<u>30,217</u>	<u>985,868</u>
<u>\$ 31,644</u>	<u>\$ 2,813,115</u>

\$ 985,868

\$ 10,795,928
(2,761,995)

8,033,933

(7,174,344)
(16,900)
(142,988)
(53,058)
41,296

\$ 1,673,807

**Dryden Community School District
Statement of Revenue, Expenditures and Changes
in Fund Balances - Governmental Funds
For the Year Ended June 30, 2004**

	General	2002 Debt Retirement	2002 Building & Site Capital Project
Revenues:			
Local sources	\$ 574,786	\$ 384,422	\$ 62,927
State sources	4,841,958	-	-
Federal sources	92,732	-	-
Total revenues	5,509,476	384,422	62,927
Expenditures:			
Current:			
Instruction	3,544,275	-	-
Support services	1,381,132	-	-
School services - food services	-	-	-
School services - athletic activities	-	-	-
Community services	19,119	-	-
Capital outlay	4,500	-	5,995,785
Bond costs and other fees	-	-	17,754
Debt service:			
Principal redemption	86,807	55,000	-
Interest and fiscal charges	15,692	304,794	-
Total expenditures	5,051,525	359,794	6,013,539
Excess (deficiency) of revenues over expenditures	457,951	24,628	(5,950,612)
Other financing sources (uses):			
Transfer payments to other governments	(82,286)	-	-
Operating transfers in (out)	(110,476)	-	-
Total other financing sources (uses)	(192,762)	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	265,189	24,628	(5,950,612)
Fund balance - beginning of year	208,056	228,145	6,180,245
Fund balance - end of year	\$ 473,245	\$ 252,773	\$ 229,633

Other Non-major Governmental Funds		Total Governmental Funds	
\$	193,859	\$	1,215,994
	12,807		4,854,765
	47,778		140,510
	254,444		6,211,269
	-		3,544,275
	-		1,381,132
	196,476		196,476
	139,313		139,313
	-		19,119
	-		6,000,285
	-		17,754
	15,000		156,807
	4,350		324,836
	355,139		11,779,997
	(100,695)		(5,568,728)
	-		(82,286)
	110,476		-
	110,476		(82,286)
	9,781		(5,651,014)
	20,436		6,636,882
\$	30,217	\$	985,868

Dryden Community School District
Reconciliation of the Statement of Revenue, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds \$ (5,651,014)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation expense	(359,860)	
Capital outlay	<u>6,000,285</u>	
		5,640,425

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid	2,007
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Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	130,000
--	---------

Repayments of notes and capital lease principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	26,807
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Revenue reported in the statement of activities last year that did not provide current financial resources and are not reported as revenue in the governmental funds	(11,641)
--	----------

Decreases in compensated absences and severance plan payable are reported as expenditures when financial resources are used in the governmental funds	<u>145,148</u>
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Change in Net Assets of Governmental Activities	<u><u>\$ 281,732</u></u>
--	---------------------------------

**Dryden Community School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004**

	<u>Agency Fund - Student Activities</u>
Assets	
Cash and cash equivalents	\$ 38,586
Investments	<u>1,000</u>
Total assets	<u><u>\$ 39,586</u></u>
Liabilities	
Due to student groups	<u><u>\$ 39,586</u></u>

Notes to Financial Statements

Dryden Community School District
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies

The accounting policies of the Dryden Community School District (School District) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

District-wide and fund financial statements

The district-wide financial statements (i.e. the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

District-wide statements:

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Measurement focus, basis of accounting and financial statement presentation – (continued)

District-wide statements: - (continued)

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

Fund based statements:

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Fiduciary Fund statement is also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

The General Fund is the School District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The 1974 Debt Service Fund is used to record tax, interest other revenue for payment principle and other expenditures on the 1974 bond issue.

The 1998 Debt Service Fund is used to record tax, interest other revenue for payment principle and other expenditures on the 1998 bond issue.

The 2002 Debt Service Fund is used to record tax, interest other revenue for payment principle and other expenditures on the 2002 bond issue.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Measurement focus, basis of accounting and financial statement presentation – (continued)

Fund based statements: - (continued)

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The School District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school and school-related purposes. The funds are segregated and held in trust for the students and parents.

Assets, liabilities, and net assets or equity

Deposits and investments:

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of twelve-months or less when acquired. Investments are stated at fair value.

Receivables:

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. For Dryden Community School District taxpayers in Almont, Attica, Dryden, and Metamora Townships, property taxes attach as an enforceable lien on property as of December 31, and are levied and due on the following December 1. The taxes are payable without penalty through February 14. Property taxes become immediately available expenditure and are thus recognized as revenue in the year they are levied.

The State of Michigan utilized a foundation allowance approach, which provides for specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

1. Summary of significant accounting policies – (continued)

Measurement focus, basis of accounting and financial statement presentation – (continued)

Capital assets:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The School District does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Transportation equipment	5-10 years
Machinery and equipment	5-20 years

Compensated absences:

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated vacation and sick pay balances. Teachers and administrators are allowed to accumulate an unlimited number of sick days, while substantially all other District employees can only accumulate a limited number of sick days. Only those benefits accrued for teachers with ten or more years of service and for administrators actually vested become payable upon termination. Certain school employees (superintendent, executive secretary, and employees under the maintenance workers contracts) are allowed to accumulate vacation days on an earned basis. This amount is limited to the vacation days earned for the current year. The liability has been calculated using the vested method, in which leave amounts for employees who are currently eligible to receive termination payments are included.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations, if applicable, of fund balance represent tentative management plans that are subject to change.

Comparative date/reclassifications:

Comparative data is not included in the District's basic financial statements.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

2. Stewardship, compliance, and accountability

Budgetary information:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e. the level at which expenditures may not legally exceed appropriations). For the general fund was the functional level and for the individual special revenue funds was the line item basis. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year. There was one significant amendment during the year.

Excess of expenditures over appropriations in budgeted funds:

The School District had expenditure budget variances as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Instructional staff	\$ 91,250	\$ 98,634	\$ (7,384)
Special Revenue – Food Service:			
Salaries	80,225	80,400	(175)
Food supplies	110,270	116,076	(5,806)

3. Deposits and investments

Deposits:

State statutes and the School District's investment policy authorize the district to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan; the District is allowed to invest in U.S. Treasury or Agency obligation, U.S. Government repurchases agreements, bankers' acceptances, commercial paper rated prime at the time of purchases which mature not more than 270 days after the date of purchases, mutual funds an investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year-end, the School District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Fund</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$1,844,875	\$ 38,586	\$1,883,461
Investments – short-term	-	1,000	1,000
Total	\$1,844,875	\$ 39,586	\$1,884,461

Dryden Community School District
Notes to Financial Statements
June 30, 2004

3. Deposits and investments – (continued)

Deposits: - (continued)

The breakdown between deposits and investments for the School District is as follows:

Deposits (checking and savings accounts)	\$1,459,774
Investments in securities, mutual funds and similar vehicles	424,387
Petty cash and cash on hand	<u>300</u>
Total	<u><u>\$1,884,461</u></u>

The deposits of the School District were reflected in the accounts of the Financial Institution at \$1,459,774, of which \$200,000 is covered by federal depository insurance.

Investments:

The School District's investments at June 30, 2004 were bank investment pools and inter-local agreement investment pools that had a carrying amount and market value of \$423,387. The bank investment pools are regulated by the Michigan Banking Act and the investments under the inter-local agreement (MILAF) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and inter-local agreement pools is the same as the value of the pool shares.

Investments are normally categorized to give an indication of the level of risk assumed by the School District; however, bank investment pools and inter-local agreement investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes the investments in the funds comply with the investment authority noted above.

4. Receivables

Receivables as of year-end for the School District's individual major funds and the non-major and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Non-major and Other Funds</u>	<u>Total</u>
Receivables:			
Taxes, net of allowance of \$-0-	\$ 34,884	\$ -	\$ 34,884
Intergovernmental	<u>876,139</u>	<u>1,779</u>	<u>877,918</u>
Net receivables	<u><u>\$911,023</u></u>	<u><u>\$ 1,779</u></u>	<u><u>\$912,802</u></u>

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. The deferred revenue at the end of the fiscal year represents unearned revenues.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

5. Capital assets

Capital asset activity of the School District's governmental activities was as follows:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Disposals and</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30, 2004</u>
Assets not being depreciated:				
Land	\$ 137,502	\$ -	\$ -	\$ 137,502
Other capital assets:				
Land improvements	-	447,506	-	447,506
Buildings and additions	4,130,808	4,800,518	-	8,931,326
Machinery and equipment	285,631	593,135	-	878,766
Transportation equipment	241,702	159,126	-	400,828
Subtotal	4,658,141	6,000,285	-	10,658,426
Accumulated depreciation:				
Land improvements	-	12,366	-	12,366
Buildings and additions	2,042,084	210,349	-	2,252,433
Machinery and equipment	188,637	93,950	-	282,587
Transportation equipment	171,414	43,195	-	214,609
Subtotal	2,402,135	359,860	-	2,761,995
Net capital assets being depreciated	2,256,006	5,640,425	-	7,896,431
Net assets	<u>\$2,393,508</u>	<u>\$5,640,425</u>	<u>\$ -0-</u>	<u>\$8,033,933</u>

Depreciation expense was not charged to activities as the District considers its assets to impact multiple activities and allocation is not practical.

6. Interfund receivables, payables, and transfers

The composition of interfund balances is as follows:

Interfund transfers:

Transfer in:

Other non-major governmental funds

Transfer out:
General Fund

\$110,476

Dryden Community School District
Notes to Financial Statements
June 30, 2004

7. Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences and severance pay.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Bonds</u>	<u>Notes and Capital Leases</u>	<u>Employee Severance Pay</u>	<u>Accrued Liabilities</u>	<u>Total</u>
Payable at July 1, 2003	\$7,304,334	\$ 33,300	\$146,740	\$ 72,740	\$7,557,114
Additions:					
Net change - sick and vacation compensation	-	-	-	(7,836)	(7,836)
Notes/bonds	-	1,150,000	-	-	1,150,000
Debt redeemed:					
Employee severance pay	-	-	(68,656)	-	(68,656)
Bonds	(130,000)	-	-	-	(130,000)
Notes and capital lease	-	(16,400)	-	-	(16,400)
Payable at June 30, 2004	<u>\$7,174,334</u>	<u>\$1,166,900</u>	<u>\$ 78,084</u>	<u>\$ 64,904</u>	<u>\$8,484,222</u>

Bonds payable at June 30, 2004, are comprised of the following individual issues:

Governmental Activities		<u>Due in One Year</u>
\$135,000 school building and site bonds due in annual installments of \$15,000 to \$20,000 through May 1, 2008; interest at 4.85% - 5.35%	\$ 65,000	\$ 15,000
\$390,000 energy conservation improvement bonds due in annual installments of \$35,000 to \$45,000 through May 1, 2010; interest at 4.25% - 4.85%	255,000	40,000
\$61,569 Durant settlement bond due in annual installments of \$2,715 to \$5,560 through May 1, 2014; interest due at 4.76%	39,334	8,275
\$6,870,000 school building and site bonds due in annual installments of \$55,000 to \$350,000 through May 1, 2032, interest at 3.00% - 5.00%	<u>6,815,000</u>	75,000
	<u>\$7,174,334</u>	

Dryden Community School District
Notes to Financial Statements
June 30, 2004

7. Debt – (continued)

Governmental Activities – (continued)

Due in
One Year

Installment purchase at June 30, 2004 is comprised of the following:

\$53,297 for a 71-passenger Bluebird bus purchased on April 25, 2002 is due in annual installments of \$10,000 through May 1, 2005; interest at 5.25%	\$ 10,000	\$ 10,000
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Capital lease at June 30, 2004 is comprised of the following:

60 month Xerox Copier lease on June 20, 2002, purchase option of \$500 exists at lease termination, fair value of copier was \$32,500 at lease inception	\$ 6,900	6,900
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State aid anticipation note payable, due August 20, 2004, interest at 1.03%	\$1,150,000	1,150,000
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Employee severance plan:

During the year ended June 30, 2001, the School implemented an employee severance plan for early retirement of employees who met certain criteria. Six teachers elected the plan, exiting the district in June 2001. Benefits shall be paid by Educators Preferred Corporation in 96 equal monthly installments to five teachers and 36 equal monthly installments to the remaining teacher electing the plan. A total of \$341,296, which includes federal contributions at liability, was payable by the School over five years with the first payment due September 1, 2001.

Accrued liabilities at June 30, 2004, are comprised of the following:

Accumulated vacation	\$ 4,490	
Retroactive sick days pay	60,414	
	\$ 64,904	

The annual requirements to amortize the above bonds, installments notes, capital lease debt, and severance plan payable, including interest payments of \$5,571,157, are as follows:

Year Ending June 30,	Bonds	Installment Notes	Capital Lease	Severance Plan Payable
2005	\$ 451,798	\$1,172,370	\$ 6,900	\$ 67,647
2006	476,974	-	-	2,525
2007	491,275	-	-	2,525
2008	514,931	-	-	2,525
2009	493,310	-	-	2,525
2010-2032	10,304,833	-	-	337
	\$12,733,121	\$1,172,370	\$ 6,900	\$ 78,084

Dryden Community School District
Notes to Financial Statements
June 30, 2004

7. Debt – (continued)

The Debt Retirement Funds have \$270,609 available to service the general obligation bonds.

On June 1, 1998 the School District issued the 1998 school building and site bonds in the amount of \$135,000. The proceeds are to be used for the purpose of erecting, furnishing, and equipping a bus garage, acquiring a school bus, and developing and improving the site. Security for the bonds is the limited tax full faith and credit of the School District.

In 1999, Durant Settlement bonds were issued in the amount of \$61,569. This constitutes one half of the entire settlement of \$123,137 from the State of Michigan for Headlee amendment claims. The bond will be paid by the State of Michigan although the School District must record the payment in their general long-term debt account group. The proceeds were used in conjunction with the above 1998 school building and site bond projects. The security for the bonds is the annual State aid payments specifically designated for funding this obligation.

On June 24, 1999 the School District issued the 1999 Energy Conservation improvement bonds in the amount of \$390,000. The proceeds are to be used for energy conservation improvements. Security for the bonds is the limited tax full faith and credit of the School District.

On November 1, 2002, the School District issued the 2002 school building and site bonds in the amount of \$6,870,000. The proceeds are to be used for the purposes of erecting, furnishing, and equipping an addition or additions to, and partially remodeling, furnishing, and re-equipping technology for the elementary school and high school, acquiring buses, improving playfields at the high school, and developing and improving sites. Security for the bonds is the unlimited tax full faith and credit of the School District.

The School District is subject to state laws which limit the amount of the general obligation debt to 15 percent of the taxable valuation of property assessed on the School District. At June 30, 2004, the taxable value was \$172,220,316 which computes to a statutory limit for the School District of \$25,833,000 and a debt margin of \$18,659,000.

8. Retirement plan

Plan Description. All full-time employees participate in the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer retirement system. MPERS is a discretely presented component unit of the State of Michigan and issues a comprehensive annual financial report annually.

MPERS members participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. MPERS annually issued a stand-alone Comprehensive Annual Financial Report for the year ended September 30, 2002. This report can be obtained by calling (517) 322-5103, or writing to the Office of Retirement Systems, Michigan Public School Employees' Retirement System, 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103. It can also be viewed on the State of Michigan MPERS web site at www.state.mi.us/dmb/org/MPERS/index.htm.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

8. Retirement plan - (continued)

During the year ended June 30, 1998, the District adopted Governmental Accounting Standards Board (GASB) Statements No. 26 *Financial Reporting for Post-employment Healthcare Plans Administered by Defined Benefit Plans*, and No. 27 *Accounting for Pensions by State and Local Governmental Employees*.

Regular retirement benefits are payable monthly for the lifetime of a retiree and equals 1½ % of a member's final average compensation. A member may retire with an early permanently reduced pension after: (1) completing at least 15 years but less than 30 years of credited service, (2) attaining age 55, and (3) completing credited service in each of the 5 school years immediately preceding the pension effective date. The early pension is computed in the same manner as a regular pension but permanently reduced by one-half of one percent for each month between the pension effective date and the date the member will attain age 60. MPSERS also provides comprehensive group medical, hearing, dental, and vision insurance coverage for retirees and beneficiaries.

A Member Investment Plan (MIP) member may retire at any age with 30 years of credited service; at age 60 with 10 years or more of credited service; or at age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the 5 school fiscal years immediately preceding the pension effective date. A Basic Plan member may retire at age 55 with 30 or more years of credited service, or at age 60 with 10 or more years of credited service. There is no mandatory retirement age.

Funding Policy. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contributes at a permanently fixed rate of 3.9% of gross wages. After December 31, 1989, membership in MIP is mandatory and members contribute at the following graduated permanently fixed contribution rate: 3% for the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Basic Plan members make no contributions.

The District forwarded \$95,641 of MIP contributions withheld from employees during the year ended June 30, 2004.

Each MPSERS employer is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care premium amounts on a cash disbursement basis. For the year ended June 30, 2004, the District was required to pay 12.17% of eligible employees' compensation from July 1, 2002 through September 30, 2002 and 12.99% of eligible employees' compensation from October 1, 2002 through June 30, 2003. The contributions made by the District amounted to \$420,642, \$428,608, \$418,935, \$422,681, \$388,547, and \$349,887 for the years ended June 30, 2004, 2003, 2002, 2001, 2000, and 1999, respectively. All contributions made were equal to required contributions by the MPSERS.

The District's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2002 comprehensive annual financial report.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

8. Retirement plan - (continued)

Post-employment benefits. Under the MPSERS Act, all retirees have the option of continuing health, dental, and vision coverage, which are funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide comprehensive group medical, hearing, dental, and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premiums is paid by MPSERS, with the balance deducted from the monthly pension. Public Act 180 also authorized payments to employers as a one time \$174.5 million reduction in MPSERS reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan, and Hearing Plan coverage with the following exceptions:

- (1) Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.
- (2) Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially paid health benefit coverage.

Dependents are eligible for 90% employer paid health coverage.

During the year ended September 30, 2003, there were 139,994 eligible participants in the MPSERS that are eligible to receive benefits, of which, 115,908 are currently receiving benefits. Benefit expenditures for the post-employment benefits for the MPSERS as a whole were \$606,655,077 for the year ended September 30, 2003.

9. Contingencies

Federally assisted programs:

The School District participates in various federally assisted programs. These programs are subject to compliance audits in accordance with the Single Audit Act. A single audit was not required since the School District expended less than \$300,000 in federal funds. The amount, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although, the School District expects such amounts to be immaterial.

10. Risk management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employer injuries. The School District has purchased commercial insurance for these claims. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

Dryden Community School District
Notes to Financial Statements
June 30, 2004

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Required Supplemental Information

**Dryden Community School District
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2004**

	Original Budgeted Amounts	General Fund		
		Final Budgeted Amounts	Actual Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:				
Local sources	\$ 580,412	\$ 583,180	\$ 574,786	\$ (8,394)
State sources	4,689,978	4,828,686	4,841,958	13,272
Federal sources	90,065	91,384	92,732	1,348
Total revenues	5,360,455	5,503,250	5,509,476	6,226
Expenditures:				
Current:				
Instruction:				
Basic programs	2,959,576	2,929,003	2,910,844	18,159
Added needs	376,918	389,682	386,904	2,778
Pupil - guidance services	114,170	114,698	114,454	244
Instructional staff	64,546	91,250	98,634	(7,384)
Other instructional services	57,052	38,519	33,439	5,080
Total instruction	3,572,262	3,563,152	3,544,275	18,877
Support services:				
General administration	276,979	269,314	261,370	7,944
School administration	384,550	378,103	374,453	3,650
Business	34,316	38,392	37,738	654
Operation and maintenance	398,438	464,931	456,383	8,548
Pupil transportation	269,430	261,126	251,188	9,938
Total support services	1,363,713	1,411,866	1,381,132	30,734
Community services	-	20,363	19,119	1,244
Capital outlay - support services	277	7,886	4,500	3,386
Debt service:				
Principal redemption	85,962	86,805	86,807	(2)
Interest and fiscal charges	53,495	27,540	15,692	11,848
Total debt service	139,457	114,345	102,499	11,846
Total expenditures	5,075,709	5,117,612	5,051,525	66,087
Excess of revenues over expenditures	284,746	385,638	457,951	72,313
Transfers and other uses:				
Transfer payments to other governments	(154,882)	(90,601)	(82,286)	8,315
Other operating transfers out-net	(79,694)	(119,056)	(110,476)	8,580
Total transfers and other uses	(234,576)	(209,657)	(192,762)	16,895
Excess of revenues and other sources over expenditures and other uses	50,170	175,981	265,189	89,208
Budgetary fund balance - beginning of year	208,056	208,056	208,056	-
Budgetary fund balance - end of year	\$ 258,226	\$ 384,037	\$ 473,245	\$ 89,208

Other Supplemental Information

**Dryden Community School District
Other Supplemental Information
Combining Balance Sheet
Non-major Governmental Funds
As of June 30, 2004**

	<u>Special Revenue Funds</u>		<u>Debt Service</u>
	<u>Food</u>	<u>Athletic</u>	<u>Fund</u>
	<u>Services</u>	<u>Activities</u>	<u>Durant</u>
			<u>Non-Plaintiff</u>
Assets			
Cash and cash equivalents	\$ 10,602	\$ -	\$ -
Property taxes receivable	-	-	-
Due from other governments	1,779	-	-
Prepaid expenses	-	-	-
Total assets	<u>\$ 12,381</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>
Liabilities and Fund Balances			
Liabilities:			
Deferred revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Unreserved:			
Designated for food service activities	12,381	-	-
Designated for athletic activities	-	-	-
Designated for debt retirement	-	-	-
Total fund balances	<u>12,381</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,381</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>

Debt Service Fund 1974 Bond Issue	Debt Service Fund 1998 Bond Issue	Nonmajor Governmental Funds Total
\$ 17,836	\$ -	\$ 28,438
1,427	-	1,427
-	-	1,779
-	-	-
\$ 19,263	\$ - 0 -	\$ 31,644

\$ 1,427	\$ -	\$ 1,427
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-	-	12,381
-	-	-
17,836	-	17,836
17,836	-	30,217
\$ 19,263	\$ - 0 -	\$ 31,644

**Dryden Community School District
Other Supplemental Information
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2004**

	<u>Special Revenue Funds</u>		<u>Debt Service Fund Durant Non-Plaintiff</u>
	<u>Food Services</u>	<u>Athletic Activities</u>	
Revenues:			
Local sources	\$ 145,322	\$ 48,187	\$ -
State sources	12,807	-	-
Federal sources	47,778	-	-
Total revenues	205,907	48,187	-
Expenditures:			
Current school service operations:			
Food services	196,476	-	-
Athletics	-	139,313	-
Debt service:			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	196,476	139,313	-
Excess (deficiency) of revenues over expenditures	9,431	(91,126)	-
Other financing sources:			
Operating transfers in	-	91,126	-
Excess (deficiency) of revenues and other sources over expenditures	9,431	-	-
Fund balances - beginning of year	2,950	-	-
Fund balances - end of year	\$ 12,381	\$ - 0 -	\$ - 0 -

Debt Service Fund 1974 Bond Issue	Debt Service Fund 1998 Bond Issue	Non-major Governmental Funds Total
\$ 350	\$ -	\$ 193,859
-	-	12,807
-	-	47,778
350	-	254,444
-	-	196,476
-	-	139,313
-	15,000	15,000
-	4,350	4,350
-	19,350	355,139
350	(19,350)	(100,695)
-	19,350	110,476
350	-	9,781
17,486	-	20,436
\$ 17,836	\$ - 0 -	\$ 30,217

Dryden Community School District
Other Supplemental Information
General Fund
Schedule of Revenues - Budget and Actual
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	2004 Budget	2004 Actual	Variance Favorable (Unfavorable)	2003 Actual
Revenues:				
Local sources:				
Property taxes	\$ 471,683	\$ 443,138	\$ (28,545)	\$ 424,989
Tuition and transportation fees	34,259	34,090	(169)	37,107
Interest	10,000	9,673	(327)	14,226
Other local revenues	67,238	87,885	20,647	210,493
Total local sources	583,180	574,786	(8,394)	686,815
State sources:				
State aid - current year	4,671,930	4,685,057	13,127	4,805,505
State aid - prior year	3,771	3,771	-	-
Restricted school aid - Durant	6,157	6,157	-	6,157
At risk - section 31A	32,210	32,169	(41)	32,040
Driver education	872	872	-	4,250
Special education	113,629	113,815	186	115,666
Math Science academy	-	-	-	4,039
Gifted and talented program	117	117	-	1,887
Total state sources	4,828,686	4,841,958	13,272	4,969,544
Federal sources:				
Title I	33,102	33,102	-	43,959
Title II	22,750	22,750	-	23,537
Title V - Part A	638	638	-	-
IDEA - special education	33,643	34,991	1,348	24,495
Capacity building	1,251	1,251	-	-
Total federal sources	91,384	92,732	1,348	91,991
Total revenues	\$ 5,503,250	\$ 5,509,476	\$ 6,226	\$ 5,748,350

The budget information presented is in greater detail than the amended budget adopted.

Dryden Community School District
Other Supplemental Information
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended June 30, 2004
With Comparative Totals for the Year Ended June 30, 2003

	Final Budgeted Amounts	Actual Budgetary Basis	Variance Favorable (Unfavorable)	2003 Actual
Expenditures:				
Instruction:				
Basic programs:				
Preschool	\$ 17,038	\$ 17,052	\$ (14)	\$ 23,641
Elementary	1,383,426	1,374,044	9,382	1,438,397
Secondary	1,528,539	1,519,748	8,791	1,503,943
Total basic programs	2,929,003	2,910,844	18,159	2,965,981
Added needs:				
Special education	306,875	304,472	2,403	454,004
Compensatory education	82,807	82,432	375	112,832
Total added needs	389,682	386,904	2,778	566,836
Instructional services:				
Pupil - guidance services	114,698	114,454	244	105,798
Instructional staff	91,250	98,634	(7,384)	227,865
Other instructional services	38,519	33,439	5,080	45,207
Total instructional services	244,467	246,527	(2,060)	378,870
Total instruction	3,563,152	3,544,275	18,877	3,911,687
Support services:				
General administration	269,314	261,370	7,944	274,960
School administration	378,103	374,453	3,650	403,310
Business	38,392	37,738	654	43,011
Operation and maintenance	464,931	456,383	8,548	439,515
Pupil transportation	261,126	251,188	9,938	306,361
Total support services	1,411,866	1,381,132	30,734	1,467,157
Community services	20,363	19,119	1,244	30,995
Capital outlay - supporting services	7,886	4,500	3,386	-
Debt service:				
Principal retirement	86,805	86,807	(2)	147,433
Interest and fiscal charges	27,540	15,692	11,848	40,544
Total debt service	114,345	102,499	11,846	187,977
Total expenditures	5,117,612	5,051,525	66,087	5,597,816
Transfers out and other uses:				
Transfer payments to other governments	90,601	82,286	8,315	-
Operating transfers to other funds	119,056	110,476	8,580	152,305
Total transfers and other uses	209,657	192,762	16,895	152,305
Total expenditures and other uses	\$ 5,327,269	\$ 5,244,287	\$ 82,982	\$ 5,750,121

The budget information presented is in greater detail than the amended budget adopted.

**Dryden Community School District
Other Supplemental Information
Special Revenue Funds
Combining Balance Sheet
As of June 30, 2004
With Comparative Totals for June 30, 2003**

	Food Services	Athletic Activities	<u>T o t a l s</u>	
			2004	2003
Assets				
Cash and cash equivalents	\$ 10,602	\$ -	\$ 10,602	\$ 1,959
Due from other governments	1,779	-	1,779	2,627
Total assets	\$ 12,381	\$ - 0 -	\$ 12,381	\$ 4,586
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 1,636
Total liabilities	-	-	-	1,636
Fund balance:				
Unreserved:				
Designated for food service activities	12,381	-	12,381	2,950
Designated for athletic activities	-	-	-	-
Total fund balance	12,381	-	12,381	2,950
Total liabilities and fund balance	\$ 12,381	\$ - 0 -	\$ 12,381	\$ 4,586

**Dryden Community School District
Other Supplemental Information
Special Revenue Funds
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2004**

	Food Services		
	Final 2004 Budget	2004 Actual	Variance Favorable (Unfavorable)
Revenues:			
Local sources:			
Children's lunches and breakfast	\$ -	\$ 74,602	\$ -
Adult lunches	-	3,809	-
A la carte	-	63,492	-
Athletics - participant fees	-	-	-
Athletics - gate receipts	-	-	-
Interest	-	174	-
Miscellaneous	-	3,245	-
Total local sources	152,318	145,322	(6,996)
State sources:			
State reimbursements	9,775	12,807	3,032
Federal sources:			
Federal reimbursements	-	35,503	-
Commodities - entitlement	-	9,867	-
Commodities - bonus	-	2,408	-
Total federal sources	32,500	47,778	15,278
Total revenues	194,593	205,907	11,314
Expenditures:			
Salaries, benefits, and technical services	80,225	80,400	(175)
Food, supplies, and miscellaneous	110,270	116,076	(5,806)
Officials and entry fees	-	-	-
Total expenditures	190,495	196,476	(5,981)
Excess (deficiency) of revenues over expenditures	4,098	9,431	5,333
Other financing sources:			
Operating transfers in - General Fund	-	-	-
Excess (deficiency) of revenues and other sources over expenditures	4,098	9,431	5,333
Fund balance - beginning of year	2,950	2,950	-
Fund balance - end of year	\$ 7,048	\$ 12,381	\$ 5,333

Athletic Activities		
Final 2004 Budget	2004 Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	17,000	-
-	20,923	-
-	-	-
-	10,264	-
47,394	48,187	793
-	-	-
-	-	-
-	-	-
-	-	-
47,394	48,187	793
111,447	108,313	3,134
15,892	15,277	615
16,100	15,723	377
143,439	139,313	4,126
(96,045)	(91,126)	4,919
96,045	91,126	4,919
-	-	-
-	-	-
\$ - 0 -	\$ - 0 -	\$ - 0 -

Totals		
Final 2004 Budget	2004 Actual	Variance Favorable (Unfavorable)
\$ -	\$ 74,602	\$ -
-	3,809	-
-	63,492	-
-	17,000	-
-	20,923	-
-	174	-
-	13,509	-
199,712	193,509	(6,203)
9,775	12,807	3,032
-	35,503	-
-	9,867	-
-	2,408	-
32,500	47,778	15,278
241,987	254,094	12,107
191,672	188,713	2,959
126,162	131,353	(5,191)
16,100	15,723	377
333,934	335,789	(1,855)
(91,947)	(81,695)	10,252
96,045	91,126	(4,919)
4,098	9,431	5,333
2,950	2,950	-
\$ 7,048	\$ 12,381	\$ 5,333

**Dryden Community School District
Other Supplemental Information
Trust and Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2004**

Student Activity Funds

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Assets:				
Cash and cash equivalents	\$ 104,663	\$ 140,047	\$ 206,124	\$ 38,586
Investments	1,007	87	94	1,000
	<hr/>			
Total assets	\$ 105,670	\$ 140,134	\$ 206,218	\$ 39,586
	<hr/>			
Liabilities:				
Due to student groups	\$ 105,670	\$ 140,134	\$ 206,218	\$ 39,586
	<hr/>			

**Dryden Community School District
Agency Fund
Schedule of Changes in Student Activity Accounts
For the Year Ended June 30, 2004**

Student Activity	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Art	\$ 100	\$ -	\$ 100	\$ -
Athletics - booster projects	59,690	-	59,395	295
Athletics - busing	-	449	-	449
Athletics - districts	315	-	315	-
Athletics - dues & fees	-	2,024	2,024	-
Athletics - gate & officials	-	22,035	22,035	-
Athletics - pay to participate	-	16,450	16,400	50
Baseball	54	1,188	1,163	79
Box tops for education - Elementary	1,386	1,670	1,339	1,717
Boys basketball camp	122	-	122	-
Cardinal creations	812	-	150	662
Cheerleading	434	2,477	2,551	360
Cheerleading - Junior High	198	435	435	198
Class of 2004	2,039	1,118	3,133	24
Class of 2005	509	8,742	8,514	737
Class of 2006	805	1,587	898	1,494
Class of 2007	22	235	74	183
Class of 2008	1,124	2,952	2,065	2,011
Color me green	393	-	-	393
Drama	501	2,016	1,978	539
Elementary - miscellaneous	1,439	1,039	1,573	905
Elementary student council	1,328	863	1,420	771
Enrichment	-	165	-	165
Former graduates	1,441	9	26	1,424
Four County - Hand on Lit.	75	-	-	75
French/Spanish club	30	-	30	-
Genesee ISD - Project Tap	350	-	-	350
Girls basketball	-	658	643	15
Golf	959	770	1,661	68
Graphic arts	1,220	574	680	1,114
Industrial arts club	448	-	177	271
Interest	1,159	1,045	827	1,377
Junior high environmental	137	-	-	137
Knights of Columbus - Elementary	32	1,011	-	1,043
Knights of Columbus - High School	1,754	-	1,349	405
Kriesch - sewing machine proceeds	100	-	100	-
Library fund - Elementary	198	67	85	180
Library fund - High School	1,748	827	581	1,994
Mass media	584	17,145	13,267	4,462
Math/Science - High School	-	370	250	120

**Dryden Community School District
Agency Fund
Schedule of Changes in Student Activity Accounts
For the Year Ended June 30, 2004**

Student Activity	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
Meijer Rewards - Elementary	-	565	48	517
Meijer Rewards - High School	-	444	-	444
Miscellaneous	3,110	4,023	6,525	608
Music	3,049	7,462	9,803	708
National Honor Society	745	37	381	401
Pepsi money - Elementary	63	-	-	63
Pepsi money - High School	7,606	-	5,000	2,606
Pre-School fundraiser	262	-	-	262
Project graduation- current year	5	15,380	15,242	143
PTO - High School	1,150	9,890	9,920	1,120
Quiz bowl	387	-	-	387
SADD	681	85	227	539
SchoolCash.com - Elementary	39	32	-	71
School improvement - High School	1,330	-	-	1,330
Ski club - Junior High & High School	267	-	-	267
Staff appreciation	71	-	71	-
Student council - High School	1,129	2,002	2,358	773
Student council - Junior High School	562	893	726	729
Target account - Elementary	537	659	1,196	-
Target rewards - High School	-	141	-	141
Tech. lab	462	50	97	415
Tom Sterner Memorial Scholarship	1,782	-	500	1,282
Tom Sterner volleyball	396	950	1,346	-
Track - Junior High	-	1,060	1,016	44
Varsity soccer	182	2,290	2,063	409
Varsity softball	43	-	43	-
Verizon - High School	-	345	-	345
Volleyball	168	5,677	3,930	1,915
Volleyball - 7th grade	32	-	32	-
Volleyball - 8th grade	76	-	76	-
Volleyball tournament - 9th grade	23	-	23	-
Wrestling	7	228	235	-
Total Agency Fund	\$ 105,670	\$ 140,134	\$ 206,218	\$ 39,586

**Dryden Community School District
Detail of Debt
June 30, 2004**

Debt Retirement Fund

Bonds and interest payable: Issue of 1998

Date of Issue: June 1, 1998

Purpose of Issue: School building and site

Amount authorized: \$135,000

<u>Due Date</u>	<u>Rate</u>	<u>Principal Amount</u>	<u>Interest Due</u>		<u>Total Principal and Interest</u>
			<u>May 1</u>	<u>November 1</u>	
5-1-2005	4.85-5.30	\$ 15,000	\$ 1,624	\$ 1,624	\$ 18,248
5-1-2006	4.85-4.95	15,000	1,227	1,226	17,453
5-1-2007	4.90-4.95	15,000	862	863	16,725
5-1-2008	4.95	20,000	495	495	20,990
<hr/>			<hr/>		<hr/>
		\$ 65,000	\$ 4,208	\$ 4,208	\$ 73,416
<hr/>			<hr/>		<hr/>

Dryden Community School District
Detail of Debt
June 30, 2004

Debt Retirement Fund

Bonds and interest payable: Issue of 1999

Date of Issue: June 24, 1999

Purpose of issue: Energy conservation improvements

Amount authorized: \$390,000

<u>Due Date</u>	<u>Rate</u>	<u>Principal Amount</u>	<u>Interest Due</u>		<u>Total Principal and Interest</u>
			<u>May 1</u>	<u>November 1</u>	
5-1-2005	4.45	\$ 40,000	\$ 5,936	\$ 5,936	\$ 51,872
5-1-2006	4.45-4.55	40,000	5,046	5,046	50,092
5-1-2007	4.55-4.65	40,000	4,136	4,136	48,272
5-1-2008	4.65	45,000	3,206	3,206	51,412
5-1-2009	4.75	45,000	2,160	2,160	49,320
5-1-2010	4.85	45,000	1,092	1,092	47,184
<u>\$255,000</u>			<u>\$ 21,576</u>	<u>\$ 21,576</u>	<u>\$298,152</u>

Dryden Community School District
Detail of Debt
June 30, 2004

Debt Retirement Fund

Bonds and interest payable: Issue of 1998

Date of Issue: May 15, 1999

Purpose of Issue: Durant resolution

Amount authorized: \$61,569

<u>Due Date</u>	<u>Rate</u>	<u>Principal Amount</u>	<u>Interest Due May 15</u>	<u>Total Principal and Interest</u>
5-1-2005	4.76	\$ 2,715	\$ 1,608	\$ 4,323
5-1-2006	4.76	2,845	1,479	4,324
5-1-2007	4.76	2,980	1,343	4,323
5-1-2008	4.76	3,123	1,201	4,324
5-1-2009	4.76	4,357	1,141	5,498
5-1-2010-2014	4.76	17,754	2,688	20,442
		<u>\$ 33,774</u>	<u>\$ 9,460</u>	<u>\$ 43,234</u>

Note: Principal and interest payments on this bond have been suspended by the State of Michigan until further notice.

**Dryden Community School District
Detail of Debt
June 30, 2004**

Debt Retirement Fund

Installment loan payable: Issue of 2000

Purpose of Issue: Bus

<u>Due Date</u>	<u>Rate</u>	<u>Principal Amount</u>	<u>Interest Due</u>		<u>Total Principal and Interest</u>
			<u>May 1</u>	<u>November 1</u>	
5-1-2005	5.25	<u>\$ 10,000</u>	<u>\$ 525</u>	<u>\$ -0-</u>	<u>\$ 10,525</u>

**Dryden Community School District
Detail of Debt
June 30, 2004**

Debt Retirement Fund

Bonds and interest payable: Issue of 2002

Date of Issue: November 1, 2002

Purpose of Issue: School building and site

Amount authorized: \$6,870,000

<u>Due Date</u>	<u>Rate</u>	<u>Principal Amount</u>	<u>Interest Due</u>		<u>Total Principal and Interest</u>
			<u>May 1</u>	<u>November 1</u>	
5-1-2005	3.00	\$ 75,000	\$ 151,178	\$ 151,177	\$ 377,355
5-1-2006	3.00	105,000	150,053	150,052	405,105
5-1-2007	3.00	125,000	148,478	148,477	421,955
5-1-2008	3.25	145,000	146,603	146,602	438,205
5-1-2009	3.25	150,000	144,246	144,246	438,492
5-1-2010-2032	3.50-5.00	6,215,000	2,011,104	2,011,103	10,237,207
		<u>\$6,815,000</u>	<u>\$2,751,662</u>	<u>\$2,751,657</u>	<u>\$12,318,319</u>

July 23, 2004

To the Honorable Members of the Board of Education
of Dryden Community Schools

We have audited the general purpose financial statements of Dryden Community Schools (the School) for the year ended June 30, 2004, and have issued our report thereon dated July 23, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated April 26, 2004, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we made a study and evaluation of the District's system of internal accounting control to the extent we considered necessary solely to determine the nature, timing and extent of our auditing procedures. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole, and we do not express such an opinion.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Genesee County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Dryden Community Schools are described in Note 1 to the general purpose financial statements. We noted no transactions entered into by Dryden Community Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Dryden Community Schools' financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the general purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situation. If a consultation involves application of an accounting principal to the governmental unit's general purpose financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Dryden Community Schools' auditors. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

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The information is intended solely for the use of the Board of Education and management of Dryden Community Schools and should not be used for any other purpose.

BKR Dupuis & Ryder

Certified Public Accountants
Flint Office